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DE RUEHGB #1441 1530306  
ZNR UUUUU ZZH  
O 020306Z JUN 09 ZDK  
FM AMEMBASSY BAGHDAD  
TO SECSTATE WASHDC IMMEDIATE 3298

UNCLAS BAGHDAD 001441

SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EINV](#) [EFIN](#) [PREL](#) [IZ](#)

SUBJECT: IRAQ: ASSET TRANSFER PROCESS WELL UNDER WAY

11. SUMMARY: The United States and Iraq have agreed upon, and are implementing, a comprehensive asset transfer process. The process includes commitments by the Government of Iraq to maintain U.S.-funded infrastructure in Iraq. End Summary.

12. Since 2008, Embassy representatives have been working with the Government of Iraq (GOI) to develop an asset transfer process. This process is designed to provide a single, comprehensive method for transferring assistance project assets to the GOI, regardless of the USG agency involved. The USG and Iraq reached agreement on this process in recent months, and are now in the process of implementing that agreement.

13. The first step in the asset transfer process was for the GOI to accept USG-funded assets. On December 16, 2008, Iraq's Council of Ministers issued Decision Number 444. In a May 18, 2009 note, the GOI formally informed the USG of Decision 444, specifically emphasizing that no financial obligations could arise from these assets and that Iraqi ministries are responsible for their operation and maintenance. The GOI requested the Embassy to "confirm that this decision, if acceptable, delineates the principles accepted by our two governments for working together in order to complete handing over the projects donated by the people of the United States to the people of Iraq." The Embassy confirmed this understanding in a June 1, 2009 diplomatic note. With this exchange of notes, the USG and GOI finalized agreement on the asset transfer process.

14. Decision 444 and the exchange of notes between our countries call for a Memorandum of Understanding (MOU) to set out how the asset-transfer process will operate at the working level. EmbOffs are in final discussions with Iraq's Ministry of Planning and Development regarding this MOU.

Comment:

15. Many USG funded assets have already been transferred and are being operated by Iraqi authorities. For example, all power stations built with USG funding, as well as other projects in the electricity sector, have been transferred and are owned, operated and fully maintained by the GOI. The GOI has assumed the Operations-Maintenance-Sustainment (OMS) contract initially funded by the USG. Additionally, large-scale projects in the water sector have been transferred and are maintained by the GOI. The situation for the Nasiriyah water project is improving. The GOI has recently purchased \$2 million in spare parts for this project, showing some commitment to sustainment of these assets. There is no lack of will to move forward; however, there is still a long way to go before the skill level and culture of maintenance approaches the level of our own.

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